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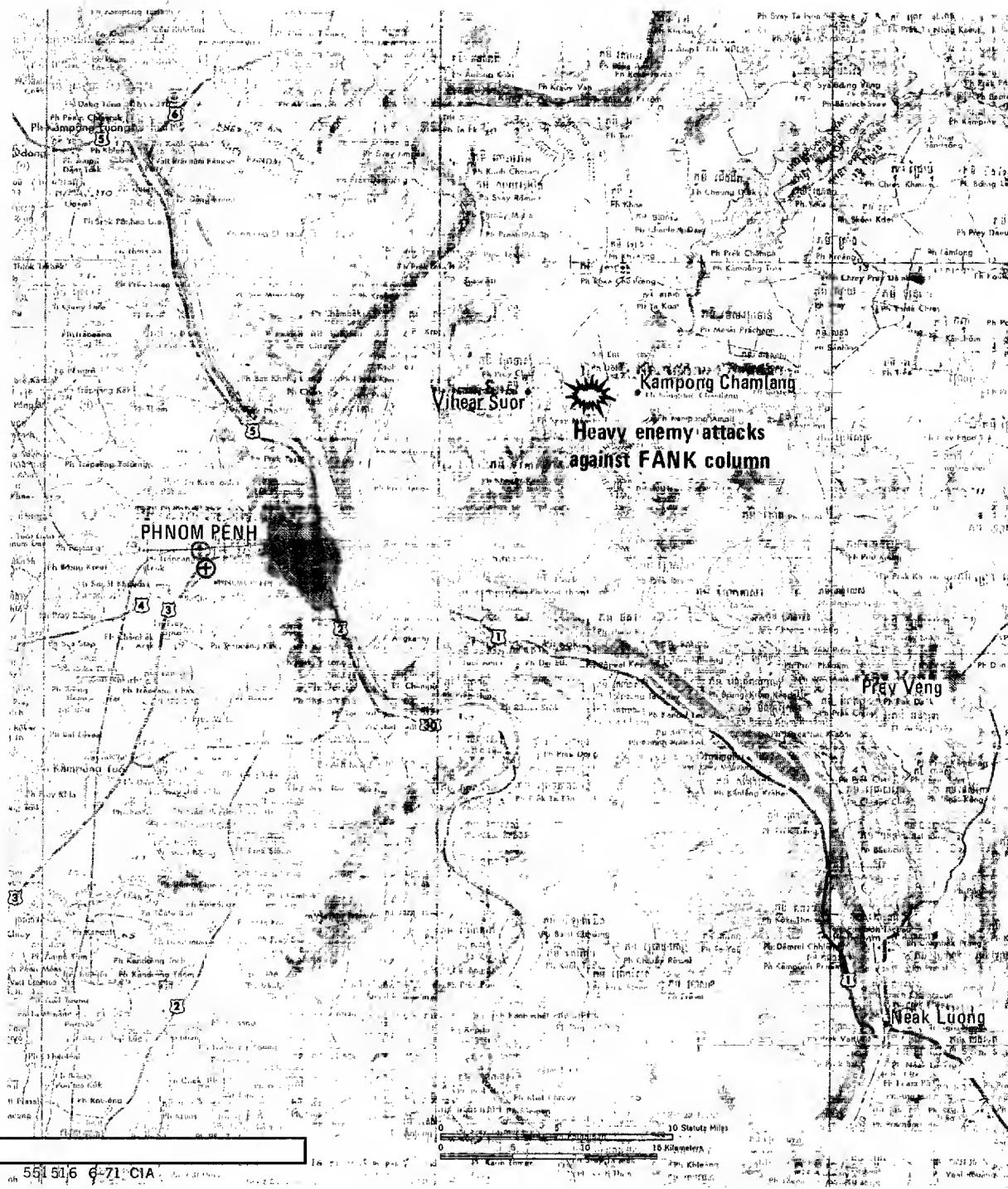
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Phnom Penh Area



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CAMBODIA: The Communists appear to have routed a government task force northeast of Phnom Penh.

An eight-battalion Cambodian Army (FANK) column, consisting primarily of elite Khmer Krom units, came under enemy small-arms fire from three directions yesterday morning between the villages of Vihear Suor and Kampong Chamlang. The Communists next unleashed a barrage of 50 to 100 rockets against the immobilized task force, throwing its elements into complete disarray. Some government troops fell back toward Vihear Suor, while others tried to move eastward toward Kampong Chamlang.

According to reports received by the US defense attaché in Phnom Penh, however, the Communists had ringed the entire column and were ambushing small groups of retreating Cambodian soldiers. Some hand-to-hand combat apparently was continuing by late afternoon. Loss of radio contact with most of the units involved in the fighting has added to the general confusion and uncertainty surrounding the column's fate. Initial casualty reports indicate that government losses total 80 to 90 troops killed and 100 wounded. Hundreds of others are still unaccounted for, but it is likely that many of the missing will eventually work their way back to friendly lines.

The FANK high command in Phnom Penh is shaken by this latest reverse, which is looming as one of the more costly suffered thus far by the government. The US attaché reports that the Cambodian officers are expressing disbelief that such a defeat could be inflicted on Khmer Krom forces, the mainstay of the Cambodian Army since the war began.

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POLAND: Production and sales of food increased in April, continuing a trend since March when the Gierek regime was forced by renewed strikes to roll back food prices to their pre-December levels.

Production of meat products, margarine, poultry, and fish products rose substantially, and food sales were up 23 percent compared with April of last year. This improvement, made possible by a rise in food imports and increased domestic processing of food, will give the new regime further reason to claim that it is following through on some of its promises to the hard-pressed workers who sparked the riots of last December.

The April gain in production, however, was at a rate less than that planned for the second quarter of this year. Last month, Polish Minister of Internal Trade Snajder said he expected meat supplies to rise by over ten percent and the availability of some other foods to increase during this quarter. Food imports, facilitated by the Soviet credits extended earlier this year, are a stopgap measure, however, and the regime evidently is hoping that recent steps to stimulate domestic food production will help bear out its optimistic forecasts.

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INDONESIA: The campaign for the first national elections in 16 years is developing some steam, but the outcome will have relatively little effect on the army-dominated government.

Although the elections on 3 July are being held at both national and provincial levels, the principal stakes are 360 seats in the 460-member Parliament, a body of relatively limited powers. The remaining 100 members of Parliament will be appointed by the government. In holding the elections, the government is fulfilling its pledge to replace the present appointed body with a largely elected one.

The government views economic improvement as the nation's primary goal, however, and has been insistent that neither the conduct of the elections nor their outcome should divert the country from the major reconstruction effort necessary after the economically exhausting Sukarno era. It is equally emphatic that there be no return to the extreme nationalism and pro-Communism that characterized the final years of the Sukarno period. Candidates have been carefully screened, and members of the banned Communist Party and its affiliated organizations are denied the vote. The campaign has been conducted under fairly stringent government restrictions and under close observation.

The chief contestants are the government's party, a coalition of worker and professional groups called SEKBER GOLKAR; the secular Nationalist Party; and the two Muslim parties, which are the traditionalist Nahdatul Ulama and the modernist Muslim Party. The Nationalist Party and the Nahdatul Ulama are entrenched in densely populated Java, where they are resisting SEKBER GOLKAR as firmly as they dare without provoking government acts against them.

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SEKBER GOLKAR has steam-rolled its way through the country, proselytizing among groups attached to the regular parties and demanding the allegiance of national and provincial government employees. Although its rapid accumulation of a following has been impressive, its arm-twisting methods could be counterproductive. SEKBER GOLKAR, however, seems likely to win at least a plurality of the 360 parliamentary seats.

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CEYLON: The government appears increasingly confident in its handling of the insurgency, but problems remain.

On Monday, the curfew was further shortened to six hours a night; a second and "final" three-day amnesty period proclaimed by Prime Minister Bandaranaike ends today. The government claims that about 6,000 rebels surrendered during a similar period in early May, and it apparently believes that many remaining insurgents will give themselves up if they have a safe opportunity. No figures are yet available, however, to indicate how many have taken advantage of the current amnesty.

The insurgents, meanwhile, continue to attack government and police installations occasionally, but most of their current efforts consist of robbery attempts on individuals. Although they probably are not capable at present of launching another major island-wide assault, their threat to the government will increase in the absence of early and effective implementation of a program of economic reforms.

Another problem for the government is the rehabilitation of the more than 12,000 insurgents now in custody. Some observers have noted considerable restlessness in the rehabilitation centers, which could become breeding grounds for further frustrations and the locus for future revolutionary planning. The government's indoctrination program seems to have had little effect as yet, and officials appear uncertain over how to improve the situation.

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TURKEY: The hunt for terrorist fugitives is being pressed amid some apprehension on the part of Turkish officials of further kidnaping or assassination attempts.

Security forces, including helicopter-borne commandos, have attacked several terrorist hideouts in the southeastern mountains. Several guerrillas have been killed and at least five have been captured in recent operations.

Most of these actions have been carried out in Kurdish areas, but there has been no suggestion of Kurdish involvement. In fact, some Kurdish peasants have assisted in the capture of the fugitives. The commandos also are reported to have uncovered several arms caches of undetermined size. In Istanbul, additional precautions are being taken to protect members of the consular corps from possible attack.

Meanwhile, in Ankara there is some concern over possible student demonstrations on 10 June. If members of the banned Revolutionary Youth Organization are barred from taking their scheduled examinations, as had been suggested, they may mount a "spontaneous" demonstration and violence could ensue. Demonstrations of any kind are banned by martial law authorities and any such attempt would be dealt with harshly.

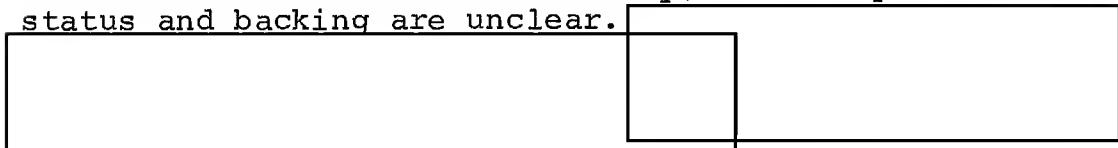
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C CHILE: The Allende government is taking massive security measures following the murder yesterday of former cabinet minister Edmundo Perez, who was the leader of the opposition Christian Democratic Party's conservative wing.

President Allende imposed a state of emergency in Santiago, convoked the National Security Council, and put all radio stations on the government network. The acting president of the government coalition denounced the murder as a threat to all Chileans and a provocation. Officials may use the occasion to crack down hard on extremists of both left and right, whom they frequently accuse of activities injurious to public order.

Representatives of the People's Revolutionary Vanguard (VOP) claimed responsibility for the murder. Those VOP members accused by police have taken refuge in a slum area. The VOP said that Perez' assassination was "partial redemption" of its recent communiqué insulting President Allende and threatening to "bring to justice" prominent nongovernment Chileans whom it called "enemies of the people." The government played down the importance of the communiqué, but said it would be investigated. The VOP, which describes itself as a "socialist and revolutionary organization of the armed proletariat," broke off from the better-known Movement of the Revolutionary Left about two years ago. Subsequently the VOP was reportedly penetrated by both rightist extremists and the Communist Party, and its present status and backing are unclear.

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VENEZUELA: Foreign oil companies (primarily US) are apprehensive about new legislation being considered by the Venezuelan Congress.

Minority parties have introduced bills to prohibit the companies from selling petroleum products in the domestic market and to assure turnover of industry assets in "good operating condition" when concessions expire. One of the bills would reserve the entire domestic products market for the government-owned oil company, which now has one third of the market. The second bill would require the companies to set aside ten percent of their annual depreciation in a government fund to guarantee upkeep of facilities that would revert to the government when concessions begin expiring in 1983. A retroactive clause would substantially add to the financial burden from this levy on depreciation allowances.

Although the oil companies are resigned to eventual loss of the domestic products market, the second bill is of great concern to them because it would significantly increase current industry operating costs. President Caldera's earlier proposed legislation to nationalize the oil companies' gas resources is still being debated and these two new bills largely represent efforts by minority political parties to climb on the growing wave of nationalism. The bills are expected to pass Congress this year, possibly as early as July, and most likely will lead to increased strains in US-Venezuelan relations.

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CUBA: There are indications that the recent detention of the hijacked Pan American airplane may represent a new tactic to protest US seizures of Cuban fishermen. In a recent article, the official Cuban news agency Prensa Latina directly linked the prolonged detention of the Pan American jet hijacked on 29 May with the release of four Cubans picked up three days earlier for fishing within the 12-mile limit. The four went to trial in Miami yesterday. In the past, Cuban authorities have permitted hijacked airliners to depart within a few hours; the Pan Am jet was delayed for five days.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 8 June 1971 approved the following national intelligence estimate:

NIE 29.1-71 "Prospects for Greece"



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